

THE ARC OF MOREHOUSE

Financial Statements
For the Years Ended June 30, 2008 and 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/15/09

THE ARC OF MOREHOUSE
FOR THE YEARS ENDED JUNE 30, 2008 and 2007

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LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

**Board of Directors
The ARC of Morehouse
Bastrop, Louisiana**

We have audited the accompanying statements of financial position of **The ARC of Morehouse** (the Association) as of June 30, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Louisiana Governmental Audit Guide* published by the Society of Louisiana Certified Public Accountants and the Louisiana Legislative Auditor. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of June 30, 2008 and 2007, and the changes of its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2009 on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

**Board of Directors
The ARC of Morehouse**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Association taken as a whole. The accompanying financial information listed as Supplemental Schedules in the accompanying Table of Contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Association. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Huffey, Huffman, Reynolds & Seigrist

(A Professional Accounting Corporation)

March 16, 2009

FINANCIAL STATEMENTS

**THE ARC OF MOREHOUSE
STATEMENTS OF FINANCIAL POSITION**

		June 30, 2008		
		Unrestricted	Temporarily Restricted	Total
ASSETS				
Cash and Cash Equivalents	\$	304,369	\$ -	\$ 304,369
Investments		90,098	-	90,098
Accounts Receivable		242,283	76	242,359
Prepaid Assets		7,886	-	7,886
Fixed Assets		939,605	-	939,605
Accumulated Depreciation		(537,830)	-	(537,830)
TOTAL ASSETS	\$	<u>1,046,411</u>	<u>\$ 76</u>	<u>\$ 1,046,487</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts Payable	\$	19,307	\$ -	\$ 19,307
Accrued Liabilities		107,333	-	107,333
Total Liabilities		126,640	-	126,640
Net Assets				
Unrestricted		919,771	-	919,771
Temporarily Restricted		-	76	76
Total Net Assets		919,771	76	919,847
TOTAL LIABILITIES AND NET ASSETS	\$	<u>1,046,411</u>	<u>\$ 76</u>	<u>\$ 1,046,487</u>

The accompanying notes are an integral part of these financial statements.

June 30, 2007		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 266,810	\$ -	\$ 266,810
86,449	-	86,449
243,366	871	244,237
26,545	-	26,545
916,461	-	916,461
(490,389)	-	(490,389)
<u>\$ 1,049,242</u>	<u>\$ 871</u>	<u>\$ 1,050,113</u>

\$ 12,375	\$ -	\$ 12,375
<u>110,013</u>	<u>-</u>	<u>110,013</u>
122,388	-	122,388
926,854	-	926,854
-	871	871
<u>926,854</u>	<u>871</u>	<u>927,725</u>
<u>\$ 1,049,242</u>	<u>\$ 871</u>	<u>\$ 1,050,113</u>

THE ARC OF MOREHOUSE

STATEMENTS OF ACTIVITIES

	Year Ended June 30, 2008		
	Unrestricted	Temporarily Restricted	Total
Support, Revenue and Gains			
Intergovernmental Revenue	\$ 2,216,797	\$ -	\$ 2,216,797
Program Receipts	436,084	-	436,084
United Way	3,924	76	4,000
Donations	220	-	220
Memberships	2,680	-	2,680
Interest	5,774	-	5,774
Gain on Sale of Assets	-	-	-
Miscellaneous	11,073	-	11,073
Net Assets Released from Restrictions	871	(871)	-
Total Support, Revenue and Gains	2,677,423	(795)	2,676,628
Expenses			
Program Services			
Adult Habilitation	396,522	-	396,522
Contract Services	135,947	-	135,947
Supported Living	995,964	-	995,964
East Morehouse Community Home	378,480	-	378,480
Crossett Road Community Home	347,835	-	347,835
Total of Program Services	2,254,748	-	2,254,748
Supporting Services			
General and Administrative	429,758	-	429,758
Total Expenses	2,684,506	-	2,684,506
Increase (Decrease) in Net Assets	(7,083)	(795)	(7,878)
Net Assets at Beginning of Year	926,854	871	927,725
NET ASSETS AT END OF YEAR	<u>\$ 919,771</u>	<u>\$ 76</u>	<u>\$ 919,847</u>

The accompanying notes are an integral part of these financial statements.

Year Ended June 30, 2007

Unrestricted		Temporarily Restricted		Total	
\$	2,095,068	\$	-	\$	2,095,068
	335,563		-		335,563
	7,206		871		8,077
	1,065		-		1,065
	3,300		-		3,300
	5,578		-		5,578
	6,538		-		6,538
	1,264		-		1,264
	877		(877)		-
	<u>2,456,459</u>		<u>(6)</u>		<u>2,456,453</u>
	299,501		-		299,501
	103,783		-		103,783
	963,346		-		963,346
	332,340		-		332,340
	313,168		-		313,168
	<u>2,012,138</u>		<u>-</u>		<u>2,012,138</u>
	419,582		-		419,582
	<u>2,431,720</u>		<u>-</u>		<u>2,431,720</u>
	24,739		(6)		24,733
	902,115		877		902,992
\$	<u><u>926,854</u></u>	\$	<u><u>871</u></u>	\$	<u><u>927,725</u></u>

THE ARC OF MOREHOUSE
STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2008									
	General and Administrative	Adult Habilitation (Day) Program	Program Services				Residential Services		Total
			Contract Services	Supported Living	East Morehouse	Crossett Road			
Salaries	\$ -	\$ 307,380	\$ 115,738	\$ 920,096	\$ 216,153	\$ 204,767	\$ 1,764,134		
Payroll Taxes and Fringe Benefits	-	55,694	5,386	170,024	31,507	27,719	290,330		
Total Salaries and Related Expenses	-	363,074	121,124	1,090,120	247,660	232,486	2,054,464		
Consultants	-	-	-	-	9,015	9,096	18,111		
Data Processing	-	2,302	-	3,805	1,707	1,588	9,402		
Dues and Subscriptions	-	2,349	-	4,633	1,671	1,536	10,189		
Food and Client Needs	-	4,921	1,293	3,261	29,021	29,064	67,560		
Insurance	-	29,256	1,359	15,025	10,228	8,827	64,695		
Maintenance	50	12,691	-	4,780	4,835	5,585	27,941		
Office	652	2,700	-	4,829	2,315	1,798	12,294		
Postage	-	720	-	1,328	512	471	3,031		
Professional Fees	-	3,030	450	5,591	2,156	1,982	13,209		
Public Awareness	-	3,358	558	6,146	2,370	2,178	14,610		
Supplies	1,944	4,595	11,163	1,909	1,194	1,570	22,375		
Taxes and Licenses	-	746	-	2,340	1,065	1,173	5,324		
Telephone	-	4,093	-	4,442	2,511	2,377	13,423		
Training	-	-	-	9,244	105,455	84,185	198,884		
Transportation	-	34,240	-	6,597	4,612	5,571	51,020		
Travel and Conventions	-	5,021	-	9,219	982	1,406	16,628		
Utilities	-	8,574	-	2,658	7,891	5,565	24,688		
Total	2,646	481,670	135,947	1,175,927	435,200	396,458	2,627,848		
Depreciation	16,012	12,485	-	168	12,772	15,221	56,658		
Functional Expenses Before Reallocation	18,658	494,155	135,947	1,176,095	447,972	411,679	2,684,506		
Reallocation of General and Administrative	411,100	(97,633)	-	(180,131)	(69,492)	(63,844)	-		
TOTAL FUNCTIONAL EXPENSES	\$ 429,758	\$ 396,522	\$ 135,947	\$ 995,964	\$ 378,480	\$ 347,835	\$ 2,684,506		

The accompanying notes are an integral part of these financial statements.

THE ARC OF MOREHOUSE
STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2007

	General and Administrative	Program Services						Total
		Adult Habilitation (Day) Program	Contract Services	Supported Living	Residential Services			
					East Morehouse	Crossett Road		
Salaries	\$ -	\$ 223,739	\$ 85,620	\$ 923,250	\$ 198,029	\$ 193,380	\$ 1,624,018	
Payroll Taxes and Fringe Benefits	-	36,678	3,741	152,336	28,239	26,823	247,817	
Total Salaries and Related Expenses	-	260,417	89,361	1,075,586	226,268	220,203	1,871,835	
Consultants	-	55	-	1,955	10,107	11,127	23,244	
Data Processing	-	1,622	-	3,874	1,519	1,449	8,464	
Dues and Subscriptions	-	1,371	-	3,276	1,124	1,065	6,836	
Food and Client Needs	-	6,873	1,190	5,483	26,906	27,398	67,850	
Insurance	-	34,535	1,009	13,135	10,704	8,069	67,452	
Maintenance	-	10,842	-	4,337	3,262	4,866	23,307	
Office	272	1,694	-	3,600	1,294	1,238	8,098	
Other	315	-	-	-	-	-	315	
Postage	-	315	-	753	258	245	1,571	
Professional Fees	-	4,050	-	9,697	3,324	3,150	20,221	
Public Awareness	-	2,720	507	5,673	1,931	1,863	12,694	
Supplies	2,268	5,521	11,716	3,042	1,926	1,919	26,392	
Taxes and Licenses	-	477	-	1,355	942	739	3,513	
Telephone	-	3,198	-	5,161	2,464	2,386	13,209	
Training	-	104	-	190	78,294	65,937	144,525	
Transportation	-	24,319	-	4,564	3,685	4,869	37,437	
Travel and Conventions	-	3,158	-	7,823	1,066	813	12,860	
Utilities	-	7,715	-	2,809	7,560	5,406	23,490	
Total	2,855	368,986	103,783	1,152,313	382,634	362,742	2,373,313	
Depreciation	22,060	9,696	-	169	14,562	11,920	58,407	
Functional Expenses Before Reallocation	24,915	378,682	103,783	1,152,482	397,196	374,662	2,431,720	
Reallocation of General and Administrative	394,667	(79,181)	-	(189,136)	(64,856)	(61,494)	-	
TOTAL FUNCTIONAL EXPENSES	\$ 419,582	\$ 299,501	\$ 103,783	\$ 963,346	\$ 332,340	\$ 313,168	\$ 2,431,720	

The accompanying notes are an integral part of these financial statements.

THE ARC OF MOREHOUSE

STATEMENTS OF CASH FLOWS

	Years Ended June 30,	
	2008	2007
Cash Flows From Operating Activities		
Increase (Decrease) in Net Assets	\$ (7,878)	\$ 24,733
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	56,658	58,407
Gain on Sale of Assets	-	(6,538)
Changes in Assets and Liabilities:		
Accounts Receivable	1,878	(65,387)
Prepays and Other Current Assets	18,659	1,523
Accounts Payable	6,932	(380)
Accrued Liabilities	(2,677)	30,762
Net Cash Provided by Operating Activities	<u>73,572</u>	<u>43,120</u>
Cash Flows From Investing Activities		
Sales (Purchases) of Investments, Net	(3,649)	(4,207)
Proceeds From Sale of Assets	-	20,923
Additions to Property and Equipment	<u>(32,364)</u>	<u>(30,376)</u>
Net Cash Used by Investing Activities	(36,013)	(13,660)
Net Increase in Cash and Cash Equivalents	37,559	29,460
Beginning Cash and Cash Equivalents	<u>266,810</u>	<u>237,350</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 304,369</u>	<u>\$ 266,810</u>

The accompanying notes are an integral part of these financial statements.

THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

Note 1 - Description of Organization

The ARC of Morehouse (the Association) is a nonprofit voluntary health and welfare association chartered in 1955 to promote the general welfare of mentally retarded persons residing in Morehouse Parish.

Note 2 - Summary of Significant Accounting Policies

A. Financial Statement Presentation

In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-For-Profit Associations*, the Association is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions. The Association has not received any contributions with donor-imposed restrictions that would result in permanently restricted net assets.

The Association has also adopted SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. At June 30, 2008 and 2007, the Association had receivables of \$76 and \$871, respectively, representing United Way contributions awarded during fiscal years ending June 30, 2008 and 2007 that will be received during the subsequent fiscal year. Under SFAS No. 116, such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the related time restrictions.

Donations are considered to be available for unrestricted use unless specifically restricted by the donor. Restricted contributions received during the year whose restrictions are met in the same reporting period are treated as unrestricted contributions.

B. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

C. Cash, Cash Equivalents, and Investments

The Association considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The Association's investments at June 30, 2008 and 2007 consisted entirely of certificates of deposit with maturities greater than three months. The certificates are reported at cost which approximates fair market value.

D. Fixed Assets

Fixed assets are recorded at actual or historical cost. Donated assets are recorded at fair market value on the date of donation. Maintenance and repairs of property and equipment are charged to operations and major improvements are capitalized. The Association has a policy to capitalize fixed assets costing more than \$500. Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and the gain or loss is included in operations.

Depreciation of buildings and equipment is computed by the straight-line method over the following estimated service lives:

	<u>Years</u>
Buildings and Improvements	15-30
Furniture and Equipment	5-10
Vehicles	3-5

E. Functional Expenses

Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. The percentage of Direct Cost of each program to total direct cost is the basis used to allocate other expenses that are common to several functions.

F. Programs

The Association's principal programs and primary funding sources are:

Adult Habilitation (Day Program) - The Adult Habilitation funds are used to train clients in vocational and prevocational activities and supportive services.

Contract Services - Contract Services income is derived from services performed by clients which include janitorial and other contracts.

THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

Supported Living - Supported Living income is received from the Louisiana Department of Health and Hospitals. This program, similar to the Residential Services, helps the individual clients become more independent by providing support and training in their residences within the community.

Residential Services - Residential Services income is received from the Louisiana Department of Health and Hospitals. Clients pay a pro-rata share of the costs based on their income. This program provides clients with a home environment within the community and helps them become more independent citizens.

G. Tax-Exempt Status

The Association is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, has no provision for Federal income taxes. Contributions to the Association are tax deductible within the limitations prescribed by the Code.

H. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 3 - Fixed Assets

Fixed assets consisted of the following:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Buildings	\$ 481,293	\$ 475,203
Equipment	113,757	101,753
Vehicles	264,936	264,936
Land	16,220	16,220
Improvements	63,399	58,349
Less: Accumulated depreciation	<u>(537,830)</u>	<u>(490,389)</u>
Net fixed assets	<u>\$ 401,775</u>	<u>\$ 426,072</u>

Depreciation charged to expense in 2008 and 2007 is \$56,658 and \$58,407, respectively.

THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

Note 4 – Allocation of General and Administrative Expenses

Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated in proportion to the direct expenses of the program to total direct expenses of all the programs. The following is the detail of the general and administrative expenses that have been reclassified from program services on the Statement of Functional Expenses for the years ended June 30, 2008 and 2007:

	Years Ended June 30,	
	2008	2007
Data Processing	\$ 8,684	\$ 8,084
Dues and Subscriptions	3,045	6,837
Food	-	4,568
Insurance	22,849	14,001
Maintenance	14,566	11,375
Office Expense	11,019	7,478
Payroll Taxes and Fringe Benefits	39,945	37,346
Postage	3,030	1,571
Professional Fees	12,760	19,094
Public Awareness	-	11,605
Salaries	272,010	250,691
Supplies	3,790	4,825
Taxes & Licenses	2,354	559
Telephone	7,932	7,812
Travel and Conventions	3,050	2,959
Utilities	6,066	5,862
TOTAL	\$ 411,100	\$ 394,667

Note 5 - Significant Concentrations of Risk

Certain financial instruments potentially subject the Association to concentration of credit risk. These financial instruments consist primarily of cash and cash equivalents. The Association maintains its cash in various bank deposit accounts, which at times may exceed federally insured limits. The Association has not experienced any losses in such accounts. At June 30, 2008, no bank deposits exceeded the federal insured limits.

The Association receives approximately 95% of total revenue and support from various state agencies.

THE ARC OF MOREHOUSE
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

Note 6 – Retirement Plan

Effective July 1, 2005, the Association began contributing to the American Funds 403(b) retirement plan at a rate based on term of service and contingent upon agency funds being available. The Association will match up to 50% of a participant's contribution not to exceed 6% of the employee's annual salary. All full-time employees are eligible to participate. Plan expenses incurred by the Association for the years ended June 30, 2008 and 2007 were \$5,482 and \$5,379, respectively.

Note 7 – Wage Pass-Through

Effective February 9, 2007 the Department of Health and Hospitals Office of Aging and Adult Services enacted an hourly wage pass-through payment in the amount of \$2 that will be reimbursed to providers for full-time equivalent (FTE) personal care workers who provide services to Medicaid recipients. This required that the average wage rate be at least \$1.50 per hour above the average wage rate as of June 30, 2005 with the remaining \$0.50 per hour being contributed to benefits. In addition, all personnel would earn a minimum of \$6.65 per hour. Billing rates were increased such that this wage pass through would be received as part of the normal billing process.

The Association addressed this by computing the average wage of eligible employees as of June 30, 2005 on a per program basis, computing 4th quarter 2007 average wages, and determining how much was required to meet the new minimums considering the raises that had been given since 2005. The result was an increase of \$1.38 for all eligible employees of both group homes and the home and community based service programs effective on February 9, 2007 with adjustment checks issued as necessary. The vocational program was effective on May 20, 2007 and was handled in the same manner. All new eligible employees are paid \$6.65 per hour with the rate being increased to the average level upon completion of the first year.

SUPPLEMENTAL SCHEDULES

THE ARC OF MOREHOUSE
COMBINING SCHEDULES OF FINANCIAL POSITION

June 30, 2008

	Program Services					
	Local Fund	Adult Habilitation (Day) Program	Contract Services	Supported Living	Residential Services	
					East Morehouse	Crossett Road
ASSETS						
Cash and Cash Equivalents	\$ 221,763	\$ -	\$ -	\$ -	\$ 28	\$ 82,578
Investments	90,098	-	-	-	-	-
Accounts Receivable	268	52,731	9,405	90,316	44,499	45,140
Prepaid Assets	7,770	107	3	(110)	75	41
Due From Other Funds	1,391,953	244,167	118,421	294,488	55,370	208,620
Fixed Assets	939,605	-	-	-	-	-
Accumulated Depreciation	(537,830)	-	-	-	-	-
TOTAL ASSETS	\$ 2,113,627	\$ 297,005	\$ 127,829	\$ 384,694	\$ 99,972	\$ 336,379
						\$ 3,359,506

LIABILITIES AND NET ASSETS

Current Liabilities						
Accounts Payable	\$ 44	\$ 2,672	\$ 774	\$ 3,031	\$ 3,975	\$ 8,811
Accrued Liabilities	2,305	16,752	6,349	50,924	16,664	14,339
Due to Other Funds	1,716,907	118,607	9,334	31,150	97,269	339,752
Total Current Liabilities	1,719,256	138,031	16,457	85,105	117,908	362,902
						2,439,659
Net assets (deficit):						
Unrestricted	394,371	158,898	111,372	299,589	(17,936)	(26,523)
Temporarily Restricted	-	76	-	-	-	-
Total Net Assets	394,371	158,974	111,372	299,589	(17,936)	(26,523)
						919,771
						76
TOTAL LIABILITIES AND NET ASSETS	\$ 2,113,627	\$ 297,005	\$ 127,829	\$ 384,694	\$ 99,972	\$ 336,379
						\$ 3,359,506

THE ARC OF MOREHOUSE
COMBINING SCHEDULES OF FINANCIAL POSITION

June 30, 2007

	Program Services					
	Local Fund	Adult Habilitation (Day) Program	Contract Services	Supported Living	Residential Services	
					East Morehouse	Crossett Road
ASSETS						
Cash and Cash Equivalents	\$ 136,339	\$ -	\$ 96,566	\$ 15,839	\$ 9	\$ 18,057
Investments	86,449	-	-	-	-	-
Accounts Receivable	395	21,454	12,151	102,727	54,273	53,237
Prepaid Assets	14,472	2,979	1,064	4,886	1,590	1,554
Due From Other Funds	1,329,757	325,178	4,689	310,680	33,063	207,313
Fixed Assets	916,461	-	-	-	-	-
Accumulated Depreciation	(490,389)	-	-	-	-	-
TOTAL ASSETS	\$ 1,993,484	\$ 349,611	\$ 114,470	\$ 434,132	\$ 88,935	\$ 280,161
						\$ 3,260,793

LIABILITIES AND NET ASSETS

Current Liabilities						
Accounts Payable	\$ 55	\$ 2,812	\$ 589	\$ 3,562	\$ 2,731	\$ 2,626
Accrued Liabilities	3,081	13,712	4,760	53,393	17,578	17,489
Due to Other Funds	1,633,211	100,922	9,347	60,598	85,499	321,103
Total Current Liabilities	1,636,347	117,446	14,696	117,553	105,808	341,218
						2,333,068
Net assets (deficit):						
Unrestricted	357,137	231,294	99,774	316,579	(16,873)	(61,057)
Temporarily Restricted	-	871	-	-	-	-
Total Net Assets	357,137	232,165	99,774	316,579	(16,873)	(61,057)
						927,725
TOTAL LIABILITIES AND NET ASSETS	\$ 1,993,484	\$ 349,611	\$ 114,470	\$ 434,132	\$ 88,935	\$ 280,161
						\$ 3,260,793

THE ARC OF MOREHOUSE
COMBINING SCHEDULES OF ACTIVITIES

		For the Year Ended June 30, 2008					
		Program Services			Residential Services		
	Local Fund	Adult Habilitation (Day) Program	Contract Services	Supported Living	East Morehouse	Crossett Road	Total
Revenues and Other Support							
Intergovernmental Revenue	\$ -	\$ 239,676	\$ -	\$ 1,170,861	\$ 413,492	\$ 392,768	\$ 2,216,797
Program Receipts	-	189,640	146,074	-	43,795	56,575	436,084
United Way	-	4,000	-	-	-	-	4,000
Donations	220	-	-	-	-	-	220
Memberships	2,680	-	-	-	-	-	2,680
Interest	5,696	-	78	-	-	-	5,774
Miscellaneous	-	2,224	1,392	-	-	7,457	11,073
Total Revenues and Other Support	8,596	435,540	147,544	1,170,861	457,287	456,800	2,676,628
Expenses							
Program Services							
Adult Habilitation	-	481,670	-	-	-	-	481,670
Contract Services	-	-	135,947	-	-	-	135,947
Supported Living	-	-	-	1,175,927	-	-	1,175,927
East Morehouse Community Home	-	-	-	-	435,200	-	435,200
Crossett Road Community Home	-	-	-	-	-	396,458	396,458
Total Program Services	-	481,670	135,947	1,175,927	435,200	396,458	2,625,202
Management and General	2,646	-	-	-	-	-	2,646
Total Expenses Before Depreciation	2,646	481,670	135,947	1,175,927	435,200	396,458	2,627,848
Depreciation	-	16,288	-	7,184	15,478	17,708	56,658
Total Expenses	2,646	497,958	135,947	1,183,111	450,678	414,166	2,684,506
Increase (Decrease) in Net Assets	5,950	(62,418)	11,597	(12,250)	6,609	42,634	(7,878)
Other Sources (Uses)							
Transfers In	31,283	-	-	-	-	-	31,283
Transfers Out	-	(10,773)	-	(4,740)	(7,672)	(8,099)	(31,283)
Total Other Sources	31,283	(10,773)	-	(4,740)	(7,672)	(8,099)	-
Increase (Decrease) in Net Assets	37,233	(73,191)	11,597	(16,990)	(1,063)	34,535	(7,878)
Net Assets at Beginning of Year	357,137	232,165	99,774	316,579	(16,873)	(61,057)	927,725
NET ASSETS AT END OF YEAR	\$ 394,370	\$ 158,974	\$ 111,371	\$ 299,589	\$ (17,936)	\$ (26,522)	\$ 919,847

THE ARC OF MOREHOUSE
COMBINING SCHEDULES OF ACTIVITIES

For the Year Ended June 30, 2007							
	Program Services						
	Local Fund	Adult Habilitation (Day) Program	Contract Services	Supported Living	East Morehouse	Crossett Road	Total
Revenues and Other Support							
Intergovernmental Revenue	\$ -	\$ 247,068	\$ -	\$ 1,166,533	\$ 359,444	\$ 322,023	\$ 2,095,068
Program Receipts	-	144,030	103,837	-	42,113	43,583	335,563
United Way	-	8,077	-	-	-	-	8,077
Donations	45	-	-	-	500	500	1,045
Memberships	3,300	-	20	-	-	-	3,320
Interest	5,578	-	-	-	-	-	5,578
Gain on Sale of Assets	6,538	-	-	-	-	-	6,538
Miscellaneous	170	-	1,129	-	(35)	-	1,264
Total Revenues and Other Support	15,631	399,175	106,986	1,166,533	402,022	366,106	2,456,453
Expenses							
Program Services							
Adult Habilitation	-	368,986	-	-	-	-	368,986
Contract Services	-	-	103,783	-	-	-	103,783
Supported Living	-	-	-	1,152,313	-	-	1,152,313
East Morehouse Community Home	-	-	-	-	382,634	-	382,634
Crossett Road Community Home	-	-	-	-	-	362,742	362,742
Total Program Services	-	368,986	103,783	1,152,313	382,634	362,742	2,370,458
Management and General	2,855	-	-	-	-	-	2,855
Total Expenses Before Depreciation	2,855	368,986	103,783	1,152,313	382,634	362,742	2,373,313
Depreciation	-	14,121	-	10,740	18,189	15,357	58,407
Total Expenses	2,855	383,107	103,783	1,163,053	400,823	378,099	2,431,720
Increase (Decrease) in Net Assets	12,776	16,068	3,203	3,480	1,199	(11,993)	24,733
Other Sources (Uses)							
Transfers In	30,376	20,923	-	-	-	-	51,299
Transfers Out	(20,923)	(26,632)	-	(867)	(2,424)	(453)	(51,200)
Total Other Sources	9,453	(5,709)	-	(867)	-	-	-
Increase (Decrease) in Net Assets	22,229	10,359	3,203	2,613	(1,225)	(12,446)	24,733
Net Assets at Beginning of Year	334,908	221,806	96,571	313,966	(15,648)	(48,611)	902,992
NET ASSETS AT END OF YEAR	\$ 357,137	\$ 232,165	\$ 99,774	\$ 316,579	\$ (16,873)	\$ (61,057)	\$ 927,725

REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

LUFFEY, HUFFMAN, RAGSDALE & SOIGNIER

(A PROFESSIONAL ACCOUNTING CORPORATION)
CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

**Board of Directors
The ARC of Morehouse
Bastrop, Louisiana**

We have audited the financial statements of The ARC of Morehouse (the Association) as of and for the years ended June 30, 2008 and 2007 and have issued our report thereon dated March 16, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Louisiana Governmental Audit Guide*, issued by the Louisiana Society of Certified Public Accountants and the Louisiana Legislative Auditor.

Internal Control over Financial Reporting

In planning and performing our audits, we considered the Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Association's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting

**Board of Directors
The ARC of Morehouse**

principles, such that there is a more than remote likelihood that a misstatement of the Association's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiency described as 08-01 in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Association's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described as item 08-02.

The ARC of Morehouse's response to the finding identified in our audits is described in the accompanying Schedule of Findings and Responses. We did not audit the ARC of Morehouse's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management of the Association, its Board of Directors, other entities granting funds to the Association, and the Legislative Auditor for the state of Louisiana and is not intended to be used and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Huffman, Huffman, Reynolds, & Squire

(A Professional Accounting Corporation)

March 16, 2009

**The ARC of Morehouse
Bastrop, Louisiana**

**Schedule of Findings
For the Year Ended June 30, 2008**

08-01 Title XIX Billing

Finding:

The ARC of Morehouse (the Association) receives the majority of its financial support from the Louisiana Department of Health and Hospitals (DHH) through charges for services paid under Title XIX of the Social Security Act. During the fiscal year ended June 30, 2008, the Association billed DHH for more units of service than is allowable for reimbursement under the Plan of Care contract between DHH and the Association. Subsequently, DHH disallowed the excess billings and did not reimburse the charges. The disallowed charges were not followed up on nor were they adjusted for in subsequent billings. The failure to recognize these disallowed charges resulted in an overstatement of Title XIX revenues and receivables in the Vocational Program Fund and the Home and Community Based Services Fund of approximately \$19,700 combined.

Recommendation:

We recommend that the employees responsible for Title XIX billing familiarize themselves with the Plan of Care contract in order to obtain sufficient knowledge of the limits on amounts that can be reimbursed. We also recommend that these employees follow up on any disallowed charges in a timely manner and report any unresolved issues to the Accounting Manager. We further recommend that the Accounting Manager periodically review the balances in Title XIX accounts receivable to insure that all receivables are being collected in the subsequent months.

Management's Corrective Action Plan:

The Arc of Morehouse Administrative staff realized there were issues concerning Title XIX billing for fiscal year 06-07. This was due largely to the fact that the Vocational Billing no longer was under an OCDD Contract but was transferred to Title XIX Medicaid in July 2006. Corrective measures were taken to resolve the issues. In August 2007, The Arc of Morehouse hired new personnel and implemented changes to ensure that our Billing Department would run in an efficient manner. The employees have familiarized themselves with the Plan of Care contract and are proactive in ensuring accurate revenue and receivable recognitions. New internal controls have been instilled including periodic review of the balances in Title XIX accounts receivables.

**The ARC of Morehouse
Bastrop, Louisiana**

**Schedule of Findings
For the Year Ended June 30, 2008**

08-02 Financial Statements Not Filed Timely

Finding:

Louisiana Revised Statute 24:513 requires that the Association prepare and submit its audited financial statements to the Louisiana Legislative Auditor no later than six months after the end of the most recent fiscal year. Due to significant health issues experienced by the Business Manager, the financial statements were not in a condition to be audited within the time frame prescribed by law. In light of these conditions, an extension with the Louisiana Legislative Auditor was requested and received.

Recommendation:

We recommend that the Association maintain their books and records whereby the financial statements will be ready for audit so that the audit is completed and submitted to the Legislative Auditor within the prescribed time period.

Management's Corrective Action Plan:

We have addressed the health issues and in the future we will have the books and records in a condition whereby the audit can be submitted within the time period prescribed by law.

The ARC of Morehouse
Summary Status of Prior Year Findings

The following is a summary of the status of findings in the Schedule of Findings issued in connection with the examination of the financial statements of the ARC of Morehouse as of June 30, 2007.

06-01 Title XIX Billing

We recommend that the employees responsible for Title XIX billing familiarize themselves with the Plan of Care contract in order to obtain sufficient knowledge of the limits on amounts that can be reimbursed. We also recommend that these employees follow up on any disallowed charges in a timely manner and report any unresolved issues to the Accounting Manager. We further recommend that the Accounting Manager periodically review the balances in Title XIX accounts receivable to insure that all receivables are being collected in the subsequent months.

Status:

Management has addressed the issue through education and expanded internal controls. While still found to be an issue in the fiscal year ending June 30, 2008 (finding 08-01), the degree of revenue overstatement has decreased.

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MANAGEMENT LETTER

**Board of Directors
The ARC of Morehouse
Bastrop, Louisiana**

In planning and performing our audit of the general purpose financial statements of the ARC of Morehouse (the Association) for the year ended June 30, 2008, we considered its internal control structure in order to determine our auditing procedures for purposes of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure or overall compliance with laws and regulations.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and the overall environment for compliance with laws and regulations. This letter will summarize our comments and suggestions regarding those matters. This letter does not affect our report dated March 16, 2009 on the basic financial statements of the Association.

Documentation of Internal Control

The Immigration Reform and Control Act of 1986 requires that all employees, citizens and noncitizens, hired after November 6, 1986 and working in the United States must complete a Form I-9. The purpose of this form is to document that each new employee is authorized to work in the United States. Examination of 23 personnel records revealed 4 employees hired after November 6, 1986 that had no Form I-9 on record.

Recommendation:

We recommend that the Association maintain personnel records in accordance with the Immigration Reform and Control Act of 1986 by ensuring that Form I-9s are on file where required.

Management's Corrective Action Plan:

We will address the issue by reviewing the personnel files and having the appropriate forms completed and on file.

Luffey, Huffman, Ragdsdale & Soignier

(A Professional Accounting Corporation)

March 16, 2009